



**Kentucky Chamber**  
*Uniting Business. Advancing Kentucky.*



# Kentucky's Workforce Challenges

*The Employer's Perspective*

July 2015

# Executive Summary

In these times of too many people without jobs and too many jobs without people, workforce has emerged as a key public policy issue. Many Kentucky employers struggle to find people with the right skills for the jobs they have available while job seekers encounter frustrations as they try to find the right job to match their skills and abilities.

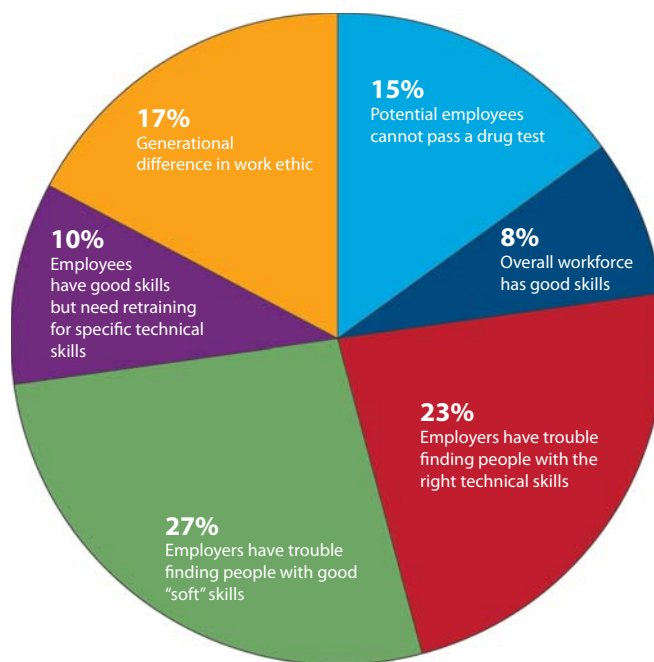
A recent survey of Kentucky Chamber members reveals the extent of the state's workforce challenges from the employers' perspective. As the chart to the right illustrates, less than 10 percent believe the overall workforce has good skills.

Findings such as these, and information employers have shared with the Kentucky Chamber about the workforce-related difficulties they encounter, prompted this report. In it, the Chamber has "looked under the hood" of Kentucky's workforce training and development programs, identified key challenges and developed recommendations to address them.

## The Challenges

- **Lack of employer engagement:** Insufficient involvement by employers to effect change in training programs that address demand-side needs
- **Who's the local contact?** A lack of clarity about the community-level service delivery of state programs, particularly in regard to which agency or individual is in charge
- **Promoting available programs:** The need for greater communications and outreach to employers and job seekers about available programs, how to access information, the need for specific training and skill development, and related issues
- **Who controls the programs and the money?** Ongoing issues related to the governance, management and coordination of workforce programs
- **Soft skills lacking:** The need for improved employability skills, or soft skills, such as attendance, communication and teamwork, among job seekers
- **Drugs in the workplace:** Increasing difficulties in finding drug-free job applicants
- **Using job credentials:** Inconsistent use of credentials, by employers, job seekers and educational institutions
- **Coordinating programs:** Insufficient coordination among educational institutions, economic development agencies and workforce programs

## What is the state of the workforce as it relates to your company's employment needs?



## The Recommendations

To address issues related to organization, funding, accountability and governance and to effectively engage employers:

- As Kentucky's next governor takes office, his first act in support of job creation and retention should be to order an organizational and management review of the state's workforce training and development system. The review should be conducted by an independent entity not aligned with any Kentucky program and should define the specific governance, management and operational structure that would best meet the needs of Kentucky employers and workers. The governor should be personally involved with this review before finalizing the cabinet structure of his administration.
- Kentucky should develop and maintain an asset map – updated regularly and released publicly – that identifies all funding sources and provides a framework for accountability for state and local spending and results.



- Agreements that guide the operation of local workforce areas (known as interlocal agreements) should include provisions requiring that the dominant business organization or association in the area be responsible for naming employer members of the workforce boards.
- The Kentucky Chamber of Commerce should issue an annual assessment of whether local workforce boards are engaging employers in meaningful and productive ways.
- State workforce officials and business leaders should jointly develop a structure to ensure meaningful employer participation in the development of Kentucky's state and local plans under the federal Workforce Innovation and Opportunity Act and employers should actively participate in state and local workforce boards and committees to implement WIOA.
- The Governor should direct set-aside funds under WIOA to support the development of employer-led collaboratives to guide workforce initiatives.
- The state's business community should develop a focused voice on workforce issues to advance the interests of both small and large employers.

To promote what is available:

- State workforce officials and business leaders should jointly develop and implement an outreach campaign, that includes local chambers of commerce, economic development corporations and workforce boards, to raise awareness of workforce programs.

To address issues related to employability:

- Kentucky should develop and incorporate soft skills/work readiness certification into its College and Career Readiness requirements for schools, including regular assessments to ensure the demonstrated proficiency of these skills.
- Kentucky should continue and expand its support for quality early childhood programs as a workforce development strategy.
- As Kentucky continues to expand drug treatment and prevention programs, it should incorporate drug screening into the application process for workforce training programs.

To strengthen the use of appropriate credentials:

- Business organizations and chambers of commerce should develop working groups of employers to identify, by sector, credentials that best reflect the skills needed for successful performance in the workplace.

The Chamber's review of Kentucky's workforce system has framed an important opportunity for the Commonwealth to build on its citizens' strong work ethic to create and sustain a high-quality workforce. Achieving that goal is critical to ensuring a stronger economic future for Kentuckians, their communities, and their state, especially in times of growing competition and financial pressures.



# Preface

Workforce. The word has come to mean far more than its dictionary definition of “people engaged in or available for work”

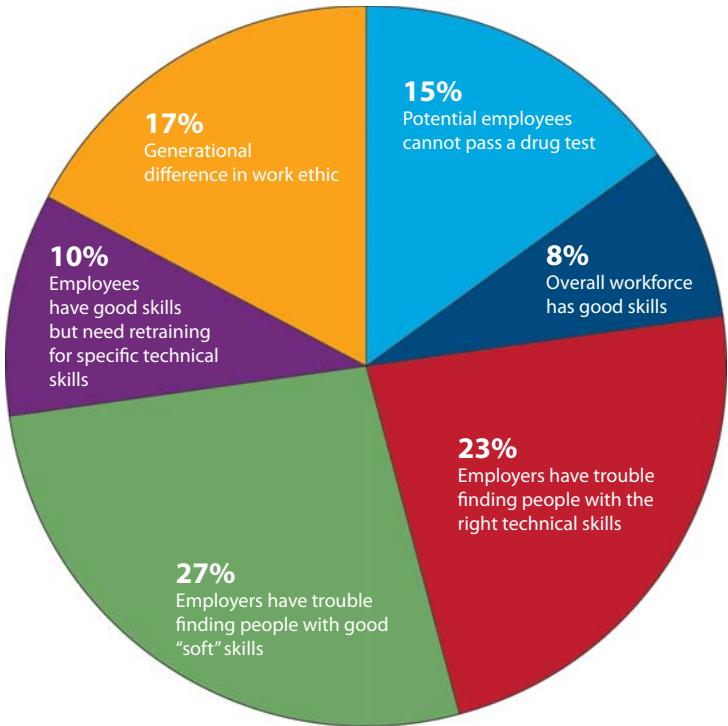
In these times of too many people without jobs and too many jobs without people, workforce has emerged as a key public policy issue. In Kentucky, and across the nation, many employers struggle to find people with the right skills for the jobs they have available. Job seekers, meanwhile, encounter frustrations as they try to find the right job to match their desires, skills and abilities at the compensation level they expect.

Effective workforce training and service programs are critical to ensuring a successful future for countless businesses across Kentucky, the people they employ and the state as a whole. But more must be done if the state is to expand and sustain a highly skilled, globally competitive workforce.

A recent survey of Kentucky Chamber members reveals the extent of the workforce challenges from the perspective of employers.<sup>1</sup> As illustrated in the chart to the right, one finding was particularly jarring: Less than 10 percent believe the overall workforce has good skills.

These findings reinforce the information that employers have shared with the Kentucky Chamber over the past several months about the workforce-related difficulties they encounter. In response, the Chamber has “looked under the hood” of Kentucky’s workforce training and development programs. This report, a high-level overview of those programs, contains the findings of that review.

## What is the state of the workforce as it relates to your company’s employment needs?



# Introduction

As the state's leading business advocacy organization, the Kentucky Chamber of Commerce has a strong interest in the quality of the state's workforce. Representing the interests of more than 60,000 employers, the Chamber is keenly aware of the concerns many of them have about finding qualified applicants for the jobs they have available now and anticipate creating in the future.

The Chamber has long advocated on behalf of improving Kentuckians' education attainment and understands the critical relationship between education and workforce development. Many of its members are leaders in education and workforce initiatives, sharing their resources and talents to advance the state and improve its business climate.

The Chamber's emphasis on these issues prompted this review of Kentucky's workforce development landscape. The work was guided by an advisory group of employers representing diverse sectors and geographic areas. (A list of members can be found in the endnotes.) It should be viewed as an initial step in what will become an ongoing Chamber initiative to help Kentucky build and sustain a globally competitive workforce.

It is important to note that the majority of worker training and retraining is provided by the private sector as employers build the skills of their employees and adapt to changing demands and competitive pressures. But private employers depend heavily on the public sector – beginning with elementary and secondary schools and continuing through postsecondary institutions and workforce development programs – to provide critical preparation and training for job candidates. The foundational need in education is essential and must be addressed at the most basic level as well as throughout the development pathway of an individual's working life.

## *Workforce supply vs. workforce demand*

This review focuses on public sector programs and conveys our observations, our concerns and broad recommendations for improvement; it is not intended to be a comprehensive analysis. The conclusions are demand-driven, reflecting the perspective of employers and what they need to build and sustain a quality workforce. It also takes a look at the supply side of the equation – what state agencies and programs are providing for Kentuckians and the businesses that employ them.

A demand-driven workforce system responds to employers' needs for skilled workers today while fueling a talent pipeline that anticipates employment needs of the future. A supply-side system is more focused on developing the skills of individuals.

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"A demand-driven workforce development system is made up of the public and private sector policies and programs that help people acquire the knowledge and skills needed to earn a living whether by means of self-employment or by working for someone else in the formal or informal sector of the economy. It includes policies and programs that help employers get and maintain a skilled workforce. Unlike separate programs that operate in an uncoordinated and therefore static manner, a demand-driven workforce development system is flexible and able to adapt quickly to changing economic conditions. It is characterized by ongoing communication and continual feedback among employers, workers, educators, and government."<sup>2</sup>

Beyond whatever improvements are needed in the design and delivery of government programs, Kentucky's business community also has an important role to play in ensuring the availability of a skilled workforce. Employers' meaningful and deliberate participation in the full circle of planning, designing and monitoring workforce programs – confirming performance and establishing standards for continual improvement – can make a critical difference in the quality and effectiveness of the services they deliver.

# The Challenge

A highly skilled workforce is an imperative for success in today's economy. Kentuckians who are well educated and develop the skills they need to thrive as citizens and in a competitive work environment hold the key to prosperity for themselves, the businesses who employ them and the state as a whole.

While Kentucky has made strides in improving the education of its citizens, there are continuing challenges in the area of workforce development and the state's ability to deliver services that meet the needs of both employers and workers. Specifically, the challenges identified by employers include the following.

- **Lack of employer engagement:** Insufficient involvement by employers to effect change in training programs that address demand-side needs
- **Who's the local contact?** A lack of clarity about the community-level service delivery of state programs, particularly in regard to which agency or individual is in charge
- **Promoting available programs:** The need for greater communications and outreach to employers and job seekers about available programs, how to access information, the need for specific training and skill development, and related issues
- **Who controls the programs and the money?** Ongoing issues related to the governance, management and coordination of workforce programs
- **Soft skills lacking:** The need for improved employability skills, or soft skills, such as attendance, communication and teamwork, among job seekers
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- **Coordinating programs:** Insufficient coordination among educational institutions, economic development agencies and workforce programs

These and related issues are not unique to Kentucky:

*"Our nation's education and workforce development systems are failing to keep pace with the development of our economy," the U.S. Chamber of Commerce Foundation noted in *Managing the Talent Pipeline: A New Approach to Closing the Skills Gap*. "Employers throughout the United States struggle to find skilled workers who can contribute to their companies' growth and success."<sup>3</sup>*

Neither are they new to the public policy debate:

*In its 2013 Report on the Future of the South: Re-imagining Workforce Development, the Southern Growth Policies Board noted that a report it had issued ten years earlier called for "seamless client controlled workforce systems and a self-directed informed workforce dedicated to life-long learning."<sup>4</sup>*

The need for policy and programmatic change to better serve employers and the people who work for them is becoming more urgent as both struggle to overcome what is commonly called the skills gap.

"The needs of employers are severely disconnected from the qualifications of job seekers," the Business Roundtable reported in 2014. "Employers struggle to find the talent they need, and job seekers cannot find the jobs they want." The report quoted studies by the management consulting company Accenture showing that only 18 percent of employers said their access to skilled workers was sufficient while 12 percent of job seekers said finding the right job was easy. "Fifty-six percent of employers and 48 percent of job seekers expressed a desire for a better system of matching needed skills with available jobs."<sup>5</sup>

As more Baby Boomers retire, the need for skilled workers has become even more urgent as employers seek to replace those experienced workers and plan for growth with current and future generations.

# Organization, Funding, Accountability and Governance

## Funding and Accountability

Workforce training in Kentucky is a big-ticket undertaking, with employers providing the bulk of the training. According to a national report from the U.S. Bureau of Labor Statistics, 85 percent of businesses with 50 or more employees provide training, and 70 percent of all businesses do so.<sup>6</sup>

*Estimating Public and Private Expenditures on Occupational Training in the United States*, a 2004 report from the Urban Institute, estimates that employers spend about 10 times as much as government does on workforce training. That report defines training as “vocational and/or occupational skills training in any instructional mode (OJT, classroom, online, workplace, internships, apprenticeships).”<sup>7</sup>

On the public-sector side of the ledger, and in Kentucky specifically, hundreds of millions of dollars flow annually into workforce programs and services related to:

- Education
- Business incentives
- Job counseling
- Job training
- Placement services
- Senior employment
- Assistance for dislocated workers
- Unemployed youth
- Veterans
- Vocational rehabilitation
- Individuals with visual disabilities

The sources of this taxpayer-provided funding are both state and federal. An analysis by the Legislative Research Commission’s Office of Budget Review concluded that more than \$901,519,700 was budgeted for workforce programs in 2015.<sup>8</sup> The breakdown by source:

- State General Fund -- \$273,215,400
- Federal -- \$437,156,900
- Restricted (or state agency) Receipts: \$191,147,400

PROGRAM	DESCRIPTION	FUNDING & SOURCE			TOTAL
		GENERAL	FEDERAL	RESTRICTED*	
KCTCS	Academic programs and employer services	\$185,855,100	272,562,000	164,657,000	623,074,100
Career & Technical Education	Occupational-specific training for youth & incumbent workers	43,813,500	18,016,100	22,038,900	83,868,500
Basic Support Grant, Vocational Rehabilitation	Provides rehabilitation services to Kentuckians with disabilities	11,538,700	42,347,500	2,720,000	56,606,200
Workforce Investment Act	Workforce programs for adults, dislocated workers and youth		47,031,300		47,031,300
CPE-Adult Education	Funds local providers in all 120 counties	20,028,900	10,016,200	135,400	30,180,500
Trade Adjustment Act	Assistance to workers affected by trade policies		11,959,500		11,959,500
Wagner-Peyser	Job-related services for workers and employers		7,883,000		7,883,000
Basic Support	Vocational rehabilitation services	1,319,900	6,626,900	705,000	8,651,800
Kentucky Career Center Get Opportunity program	Services for individuals likely to exhaust unemployment benefits		6,174,600		6,174,600
KCTCS	Workforce development & training	5,600,900			5,600,900

Source: Kentucky Legislative Research Commission Office of Budget Review

\*Receipts of a state agency from revenue sources that are restricted as to purpose by state law. This includes license fees, tuition, civil fines, etc.

The table above provides information on the ten programs receiving the most total funds in 2015; the full list can be found at [kychamber.com/files/workforce-report-funding-sources](http://kychamber.com/files/workforce-report-funding-sources).

The LRC report represents a good start on a resource, or asset, map that state government should fully develop and continually update for purposes of monitoring activity at both the state and local levels. In addition to identifying and ensuring transparency about the amount and source of public funding for workforce programs, such a document would strengthen program accountability by addressing such questions as:

- Does funding target areas of greatest need?
- Is there alignment between resources and employment needs?
- Is the funding being used effectively to advance the overall goals of the state for workforce quality?
- Are regional needs addressed effectively?
- Are funding streams and expenditures easily identified at the local level?
- What gaps persist between available jobs and workforce training?
- What are the documented results of the programs?

Kentucky has an opportunity to create an asset map under a grant it has received from the National Governors Association for a project designed to connect the education and training pipeline with the state's economic needs. That multi-part project, now underway, includes the development of an asset map that identifies federal, state and private funding sources.

### **Recommendation:**

Kentucky should develop and maintain an asset map – updated regularly and released publicly – that identifies all funding sources and provides a framework for accountability for state and local spending and results.



## **Engaging Employers**

Transparency about funding and verifiable results are key to ensuring quality. Beyond those elements, Kentucky employers need a workforce system that:

- Responds efficiently to employers' needs for workers by employment sector/industry/skill set
- Is driven by accurate data on employers' hiring needs
- Provides flexibility in training and retraining programs
- Is accessible and user-friendly for employers
- Provides clear, coordinated information on available public programs and supports

Employers and state workforce officials agree that direct employer involvement would strengthen the creation of such a system, and business participation is emphasized in federal legislation that guides workforce programming. On paper, Kentucky's system would appear to encourage such involvement. The reality, however, falls short.

The federal Workforce Innovation and Opportunity Act (formerly the Workforce Investment Act) is the primary source of funding for workforce programs that are delivered via local workforce development boards in communities across the state.

Kentucky has 10 local boards in workforce investment areas, organized as reflected in the map on page 8. The map also indicates the management arrangements for the workforce boards.

Under the federal law, and its predecessor, employers are to hold the majority of the seats on the local boards. That fact would seem to ensure direct employer involvement in the development of policies and programs to meet community-specific needs.

However, controversy surrounding the governance of some of the local boards and other issues have, in some cases, diminished

employers' confidence in their ability to influence decisions, and they have limited their active participation.

In March 2014, Auditor Adam Edelen released the results of an examination his office conducted of the Bluegrass Area Development District, which manages the Bluegrass workforce board. Among the auditor's findings:<sup>9</sup>

- The ADD's governance practices were not conducive to proper oversight.
- The ADD engaged in activities that appear to create conflicts of interest.
- The ADD did not report possible criminal violations to law enforcement authorities.
- The ADD violated procurement policies and did not have internal controls in place to prevent excessive and unnecessary expenditures.
- Significant non-compliances were identified related to the management of federal grants.

### **Governance & Oversight**

Following the report by the auditor, employers in Fayette County sought to create a new Bluegrass workforce area that would operate with management other than the area development district.

In the Barren River region, employers voiced concerns about the management of the workforce board there and similarly sought to change the structure of the workforce area to provide for management other than through the Barren River Area Development District.

Employers pushed state officials assertively, through an advisory



work group, for the changes to be made as the state defined the workforce areas that would operate under the new federal Workforce Innovation and Opportunity Act. Those efforts were unsuccessful.

The Fayette County situation was subsequently addressed via the development of a new agreement giving that county more oversight of how federal workforce dollars are spent and requiring a competitive bidding process to determine what entity manages the money. All 17 counties in the workforce area have approved the new agreement.

The Kentucky Workforce Investment Board also has instituted policy changes that will affect the operations of the local boards. These include provisions that state officials say will require fiscal agents and service providers to be selected through competitive bidding – a positive step that is in alignment with transparency and effective business practices. The impact of those changes on employer confidence and participation has yet to be determined.

Giving business organizations a greater role in choosing the employer members of local workforce boards would be a positive step to help assure sector representation and diversity. Currently, the chief local elected official in a workforce area makes the board appointments. Local chambers of commerce and others may recommend appointees, but how the business appointments are made is determined by the multi-county agreements that guide the area's operations.

## Service Delivery

Beyond the direct governance issues, employers report difficulty in figuring out where to go or whom to talk to at the community level as they work to meet their employment needs.

The state rebranded its workforce programs as the Kentucky Skills Network in 2014 with the goal of improving customer service, streamlining resources, unifying marketing and performance measures, and improving the workforce pipeline development.

The work is coordinated by a state team of representatives from the Cabinet for Economic Development, the Kentucky Career Center, the Kentucky Community and Technical College System and the Labor Cabinet. This group advises regional team leaders – all of whom work either for a regional workforce investment board or area

## Local Workforce Investment Areas



### Recommendations:

- Agreements that guide the operation of local workforce areas (known as interlocal agreements) should include provisions requiring that the dominant business organization or association in the area be responsible for naming employer members of the workforce boards.
- The Kentucky Chamber of Commerce should issue an annual assessment of whether local workforce boards are engaging employers in meaningful and productive ways.

development district.

Significantly, according to the system's organizational structure, none of the regional leaders works for the agencies represented by the state team; therefore, the state team members cannot direct the work of the regional leaders. At the local level, a team representing the Economic Development Cabinet, KCTCS and the Kentucky Career Center works to provide assistance to employers.

This is not to say that Kentucky's workers and employers are not benefiting from state workforce programs. The Kentucky Career Center ([kentuckycareercenter.ky.gov](http://kentuckycareercenter.ky.gov)) offers an extensive array of information for employers and job seekers on its website. And dozens of projects are underway through state initiatives that include:

- The Bluegrass State Skills Corporation – funds workplace training programs
- KCTCS-TRAINS (formerly KY WINS) – assists with the cost of workforce training and assessment services for companies and provides training
- Workforce Investment Act On-the-Job Training Contracts – partial wage reimbursement of companies that provide training for long-term unemployed individuals
- Registered apprenticeship projects – voluntary programs that train workers to employer specifications

These programs are linked under the Kentucky Skills Network, but they are operated by different government agencies (Economic Development Cabinet, Kentucky Community and Technical College System, Education and Workforce Development Cabinet and Labor Cabinet).

The organizational structure of the state’s workforce system raises

significant questions about its effectiveness in meeting the needs of the state’s employers and workers. Key considerations include whether there should be a stronger link to the state’s economic development efforts and whether improved services and efficiencies would result from locating all workforce programs within the same agency.

**Recommendation:**

As Kentucky’s next governor takes office, his first act in support of job creation and retention should be to order an organizational and management review of the state’s workforce training and development system. The review should be conducted by an independent entity not aligned with any Kentucky program and should define the specific governance, management and operational structure that would best meet the needs of Kentucky employers and workers. The governor should be personally involved with this review before finalizing the cabinet structure of his administration.

*Significantly, according to the system’s organizational structure, none of the regional leaders works for the agencies represented by the state team; therefore, the state team members cannot direct the work of the regional leaders. At the local level, a team representing the Economic Development Cabinet, KCTCS and the Kentucky Career Center works to provide assistance to employers.*

## Immediate Opportunity

Meanwhile, the federal Workforce Innovation and Opportunity Act (WIOA) offers significant opportunities for employer involvement as Kentucky develops its plan to meet the federal requirements.

WIOA requires states to prepare a comprehensive plan to align all core workforce programs, including education, job training and employment services.

The four-year plan must describe the state’s overall strategy for workforce development and how the strategy will meet identified skill needs for workers, job seekers and employers. Local plans must be aligned to the strategy described in the state plan and must describe how services provided at the local level will be aligned to regional labor market needs.

Kentucky employers have an opportunity to engage with the state workforce board and Education and Workforce Cabinet officials to provide input on the development of the state and local plans, but a structure must exist for their doing so. Education and

Workforce Development officials are soliciting employer involvement as part of what they describe as a “collective impact process” through which employers will provide strategic guidance and support in the development of state and local plans. (State officials hope to submit Kentucky’s plan by late November 2015.)

A particularly significant opportunity is for the development of employer-led collaboratives. The U.S. Chamber Foundation, in its talent pipeline management work, describes such collaboratives as representing a significant shift in thinking around employer engagement. Instead of having third-party organizations “bring employers to the table,” these new partnerships are formed by employers for employers.<sup>10</sup>

The organization of collaboratives can reflect employer needs and member characteristics – by industry sector (such as the KY FAME initiative described later in this report), business capabilities contained within or across these sectors, or around supply chains. The U.S. Chamber notes that a collaborative provides

a critical leverage point for small- to mid-size operations “that often lack the time, bandwidth, and volume of need to impact the responsiveness of education and workforce systems.”<sup>11</sup>

The work of employer-led collaboratives would ultimately be financed by their members, but start-up investments could come from the Governor’s set-aside funds under WIOA. These discretionary funds, estimated to be 15 percent of the state’s total allocation from the federal government, can be used for administration and supporting state projects. Kentucky has used these funds in the past to support sector strategies work, and initiating more employer-led collaboratives would be an appropriate next phase of that work.<sup>12</sup>

The national Business Roundtable has suggested several other activities in which business leaders can engage to leverage the WIOA, including:<sup>13</sup>

- Getting involved with state workforce boards in developing strategies to address the needs of business
- Developing and sponsoring youth employment programs, including on-the-job training experiences, apprenticeships and internships that take advantage of WIOA’s expanded list of approved activities to provide job seekers with the specific skills employers want

- Partnering with community colleges to create customized curricula
- Exploring new and innovative education delivery systems such as Massive Open Online Courses (MOOCs) by partnering with providers to develop business-specific education and training programs to build talent pools for hiring and improving the skills of current workers

#### **Recommendation:**

- State workforce officials and business leaders should jointly develop a structure to ensure meaningful employer participation in the development of Kentucky’s state and local plans under the federal Workforce Innovation and Opportunity Act and employers should actively participate in state and local workforce boards and committees to implement WIOA.
- The Governor should direct set-aside funds under WIOA to support the development of employer-led collaboratives to guide workforce initiatives.
- The state’s business community should develop a focused voice on workforce issues to advance the interests of both small and large employers.

## *Promoting What’s Available*

The best workforce programs in the world are of little value if individuals and employers are not aware of them. A lack of readily available public information can exacerbate the challenges employers face in trying to find programs that can help them improve or expand their workforce.

The state’s workforce websites, [kentuckycareercenter.ky.gov](http://kentuckycareercenter.ky.gov) and [kentuckyskillsnetwork.com](http://kentuckyskillsnetwork.com), offer a variety of information for employers and job seekers on such things as training incentives, programs and providers; recruitment and job placement; and labor market information. Career centers located across the state offer services ranging from job postings to applicant screenings.

But the fundamental issue is whether – and how – employers can become better-informed about both the availability of workforce programs and the right person or office to contact for assistance at the community level.

Funding constraints provide context for this situation. The federal law that funds the bulk of Kentucky’s workforce programs allows state and local entities to spend money for outreach but not for ad-

vertising. Although it can be difficult to distinguish between the two, outreach essentially has service connotations while advertising clearly conveys more of a sales pitch.

In any event, outreach seemingly could get the job done in raising public awareness of workforce programs, but that would come at a cost. Any money used for outreach is not available for training. So the workforce programs must make a difficult budget choice: outreach to make job seekers and employers more aware of the programs vs. training to improve the skills of job seekers to help them better meet the needs of employers.

#### **Recommendation:**

State workforce officials and business leaders should jointly develop and implement an outreach campaign, that includes local chambers of commerce, economic development corporations and workforce boards, to raise awareness of workforce programs.

# Employability

## Personal Management — Soft Skills

In a rapidly changing world of innovation and technology, we all must become lifelong learners. Successfully blending human interaction and technology is key to workplace success – today and in the future. And yet, Kentucky employers consistently express concerns – and frustrations – about the challenges they face in finding employees who understand the importance of showing up for work, communicating well with others, taking personal responsibility for their actions, managing their time effectively and similar traits. The issue emerged as the top concern in a recent Kentucky Chamber survey, where 27 percent of employers reported having trouble finding people with good “soft” skills.<sup>14</sup> A Chamber survey in 2014 found 57 percent of respondents rating as critical the need for improvements in academic and career training programs addressing this area.

This is not a new issue for Kentucky employers. A 1998 report, “Ready for Work: Essential Skills for Kentucky Jobs,” sounded a similar theme:

*“Basic academic skills were assigned a high value in studies or surveys (of employers). ...Ranked on an equal or near-equal level were those attributes that have come to be known as employability skills – teamwork, communication, problem solving, and the like. Indeed, knowing how to learn, being willing to learn, and showing evidence of having a desire to work emerge repeatedly as fundamental requirements of the modern workplace.”<sup>15</sup>*

This is a particularly challenging area to address because the development of such skills has traditionally been considered a family-related responsibility – not that of schools where the emphasis is on academics. Although it would be preferable if individuals acquired these skills as children who grow up with appropriate guidance, such is frequently not the case. That makes it imperative that Kentucky address this skills gap in a consistent way as a policy initiative.

Evidence of the need for improvement in this area is provided by the growing number of programs and initiatives, in Kentucky and across the nation, focusing on improving soft skills.

The Kentucky Work Ready Communities program, for example, includes a requirement that communities develop programs

for secondary students and postsecondary adults to address soft skills development and measurements to gauge their success. Community and technical colleges offer customized soft-skills professional development training and some school districts emphasize employability skills. And the National Center for Innovation in Education at the University of Kentucky is developing a K-12 soft skills program that can be incorporated into classroom curriculum.

At the workforce level, the Eastern Kentucky Concentrated Employment Program, Inc., the workforce board for the region, has developed the Work S.E.N.S.E. (Skills Everybody Needs to Succeed in Employment) that provides training in communications, customer service and employer expectations and workplace principles. Initially designed for first-time job seekers, the program’s curriculum was redesigned to serve a wider audience, including employers. The training is based on the employer-identified job-related skills and traits that are most valuable. EKCEP has also created Ethics S.E.N.S.E., a companion training that focuses on critical workplace principles. Under development are similar trainings related to resume development and health care. Work S.E.N.S.E. is provided free of charge; more than 6,000 individuals have participated.<sup>16</sup>

Such efforts are important, but they don’t go far enough. A statewide, state-level program is essential to ensuring consistent administration and results. In Georgia, for instance, House Bill 186 enacted in 2011 creates a statewide certification in soft skills and work readiness to measure competencies such as ability to work in a team and punctuality. A graduating student earns both a diploma and the certification, which is a coordinated effort involving the state Office of Workforce Development, Department of Education and Board of Technical and Adult Education.

### Recommendation:

Kentucky should develop and incorporate soft skills/work readiness certification into its College and Career Readiness requirements for schools, including regular assessments to ensure the demonstrated proficiency of these skills.

## Starting Early

Looking ahead, Kentucky can take steps to ensure stronger employability skills in its future workforce by investing in quality early childhood programs.

A 2014 report from the Council of State Governments makes the case for early childhood programs as providing the pathway to economic success. “It’s in the early years that children are learning so-called ‘soft skills’ – the ability to interact with peers, manage emotions, problem solve and be a part of a team, according to Bruce Atchison, director of the Early Childhood Institute at the Education Commission of the States. ...”

“It’s not so much that knowing a few more letters and numbers at kindergarten entrance somehow directly affects your adult skills,” said Timothy J. Bartik, a senior economist with the W.E. Upjohn

Institute for Employment Research, a Michigan-based think tank. “It’s more getting off to that good start that leads you to learning more in kindergarten, which leads you to learning more in first grade. ...It’s a cumulative effect that these skills appreciate over time until they get translated into a better future as an adult.”<sup>17</sup>

Kentucky has made significant progress in recent years in early childhood, expanding availability and instituting a quality rating system for program providers.

### **Recommendation:**

Kentucky should continue and expand its support for quality early childhood programs as a workforce development strategy.

## Drug Use

Whatever the skills or training of job seekers, they won’t become part of the workforce if they cannot pass a drug test. Kentucky employers report a growing problem with drug use among job applicants; the Chamber survey found 15 percent of employers responding that potential employees cannot pass a drug test.<sup>18</sup>

Drug abuse is a widespread societal problem with a negative impact going well beyond what it means for employability. Kentucky has enacted legislation in recent years aimed at curbing abuses of prescription drugs and heroin, and prevention and treatment are appropriate strategies for the state to pursue.

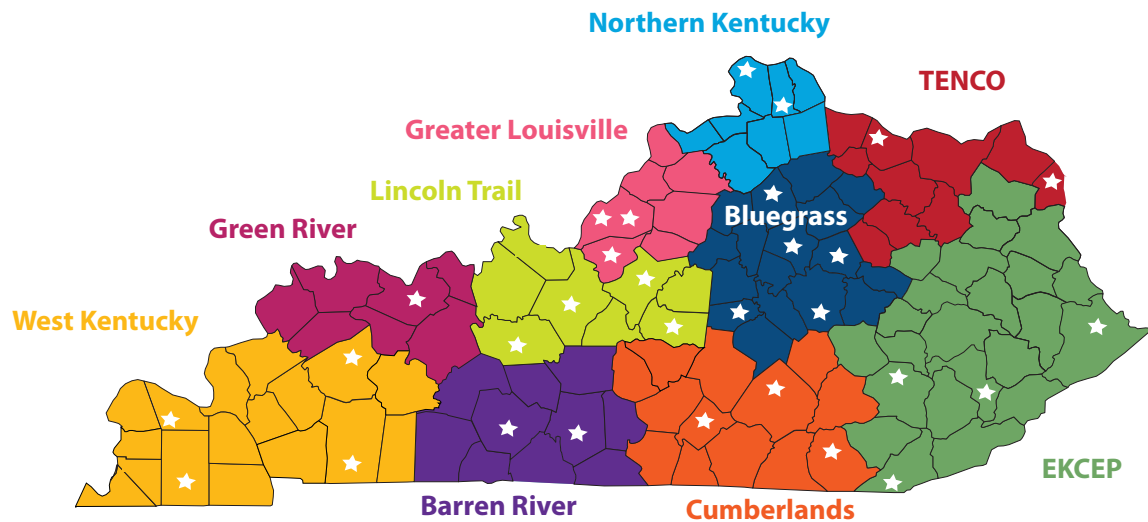
The state also has an option related to drug screening that is specifically related to workforce training. Federal workforce legislation gives states the authority to test and sanction participants in federally funded workforce programs for the use of controlled substances.

West Virginia and Indiana require a drug screen be given to all clients who enter workforce training programs. The requirement applies to people who receive individual or on-the-job training but not to those who receive career counseling or other assistance at career centers. Clients who agree to the screening are sent the results and a certificate indicating their status. To receive training, clients must take the certificate indicating a negative result to a career center within 90 days.

### **Recommendation:**

As Kentucky continues to expand drug treatment and prevention programs, it should incorporate drug screening into the application process for workforce training programs.

## One-Stop Career Center Locations



## Credentials

Employers benefit from having evidence of a prospective employee's competence in a particular area and/or of being ready for work when it comes to personal management, or soft, skills.

That's where credentialing can make an important difference. But there is a need for greater emphasis and agreement on credentials across Kentucky—on the part of employers who could require them as part of the job application process and on the part of educators, students and prospective employees who need greater awareness of the importance of having them.

Credentials are frequently specific to an industry, and Kentucky's Career Ready requirements include a wide range of certifications that high school students can earn that are recognized, endorsed or required by a particular industry.

For general employability purposes, Kentucky has a long-established program promoting the Kentucky National Career Ready Certificate (KY NCRC). The credential is built around the

ACT's WorkKeys® program that assesses an individual's skills in applied mathematics, locating information and reading for information – skills considered essential for most jobs. NCRC testing is among the services offered through state career centers, reflected in the map above.

But for credentials to have greater value and more widespread acceptance, they must reflect the needs of the workplace as defined by employers. And that will require the direct participation of employers in identifying what credentials are more desirable by sector.

### Recommendation:

Business organizations and chambers of commerce should develop working groups of employers to identify, by sector, credentials that best reflect the skills needed for successful performance in the workplace.

# Promising Initiatives

## KY FAME

The Kentucky Federation for Advanced Manufacturing Education is a partnership of employers who have joined forces to address the shortage of skilled workers needed in their industries. The program offers apprentice-style education and training to students who can earn an associate degree while learning technical workplace skills. The primary method involves a partnership with an educational institution to offer the Advanced Manufacturing Technician (AMT) program, founded by Toyota Motor Manufacturing Kentucky and now used by other manufacturers. Currently, nearly 100 manufacturers participate in the six existing and three emerging KY FAME chapters around the state.

Plans call for chapters to be created in each of the state's 10 workforce areas with students to start enrolling by the fall of 2016. Once the AMT model is established, additional manufacturing programs, such as a tool and die maker or CNC (computer numerical control) operator, can be added to fill additional manufacturing positions. There are also plans to replicate the model in other sectors, such as materials, transportation or information technology.

## Sector Strategies

Sector strategies have the potential of improving the alignment between service providers and employer needs on a regional basis. The focus is on building a skilled workforce within a region instead of addressing the workforce needs of individual employers on a case-by-case basis. Kentucky has developed some informational resources about sector strategies, including an online toolkit: [kysectorstrategies.com](http://kysectorstrategies.com). It also has identified five target industry sectors:<sup>19</sup>

- Automobile and aircraft manufacturing
- Transportation, distribution and logistics
- Business services and research and development
- Health care/social assistance
- Energy creation/transmission

Using the Governor's reserve fund under the Workforce Investment Act, the state has funded various regional industry partnerships with grants, but the available funding has varied. The state also has encouraged local workforce programs to incorporate considerations of area sectors as they develop their budgets for worker training. No direct General Fund appropriations have been made for the sector strategies program.

## Career Pathways

Strengthening the development of Kentucky's talent pipeline is the potential offered by the career pathways program in the state Department of Education. (The recent Chamber survey points up the need for such programs; 28 percent of those responding cited a mismatch between K-12 education and skills needed in the workplace.)<sup>20</sup> According to the department, the pathways provide a sequence of academic and career/technical courses, including dual credit opportunities, that lead to postsecondary degrees and industry-recognized credentials. The pathways are developed and operated in partnerships that include secondary and postsecondary institutions and employers. They are available to all students, including adult learners.<sup>21</sup> This represents another opportunity for workforce boards to match career pathways with current and future employment needs in their areas.

Kentucky has 32 careers pathways in seven program areas:

- Agriculture
- Business and marketing
- Engineering
- Family and consumer services
- Health science
- Information technology
- Transportation

## Work and Learn

There is growing interest in Kentucky in apprenticeship, or work and learn, programs that allow individuals to acquire specific skills directly in a workplace environment while receiving classroom instruction. Kentucky's voluntary registered apprenticeship program is managed by the state Labor Cabinet and includes such participating industries as construction, health care and manufacturing.

Kentucky also has launched the Skills Initiative that gives students the option of combining job training and educational opportunities. The program features elements from Germany's dual system that allows students to earn high school diplomas while working as apprentices in specific occupations. More than 150 Kentucky companies are participating in dual-track training programs that employ hundreds of student workers.<sup>22</sup> KY FAME, referenced earlier, is working with the German Chamber of Commerce to obtain dual certification for the AMT program.

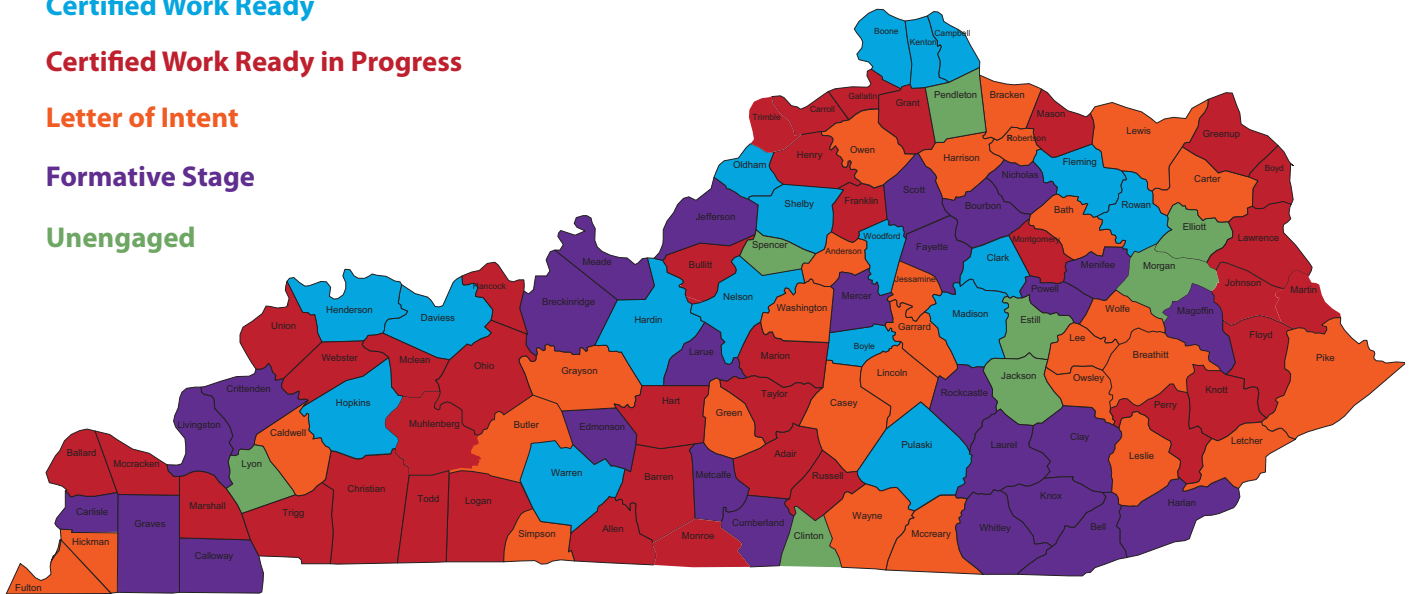
Certified Work Ready

Certified Work Ready in Progress

Letter of Intent

Formative Stage

Unengaged



## Work Ready Communities

Work Ready Communities is a certification program that encourages communities to demonstrate their workforce quality. Criteria for achieving Work Ready status include a county's high school graduation rate, community commit-

ment, education attainment rates, soft skills development, Internet availability and the number of National Career Readiness Certificate holders. The two levels of certification are Work Ready Community or Work Ready Community in Progress. The map above shows the current level of certification in the state.

## Conclusion

This review of Kentucky's workforce system has framed an important opportunity for the Commonwealth to build on its citizens' strong work ethic to create and sustain a high-quality workforce. Achieving that goal is critical to ensuring a stronger economic future for Kentuckians, their communities and their state, especially in times of growing competition and financial pressures.

Getting there, and to meet the needs of Kentuckians and the businesses that employ them, the state's workforce system must have:

- Employer engagement that is more focused and meaningful; employers must have sustained input into the development of policies and programs affecting workforce quality and availability and an expanded role in the appointment and operations of local workforce boards.

- Greater transparency and accountability for spending on programs at the state and local levels, achieved through an asset map that identifies public funds allocated to training, education and workforce development, specifies how they are being spent, and documents outcomes.
- Improved coordination among economic development, education and workforce training programs and a clearer, more coherent organizational structure to ensure high-quality service delivery.
- Ongoing monitoring by the business community of the role and impact of employer members of state and local workforce boards.
- Institutionalized, ongoing communications among employers, state workforce officials, and program managers to define workforce needs by sector and geographic region.



# Kentucky Chamber Workforce Group

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## End Notes

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